

Information Request DTE-1-6

Please refer to the Filing Letter at 2, which states that the Company proposes to be the sole retail provider of NSTAR Green. Explain why the Company did not establish a model for NSTAR Green whereby competitive suppliers and electricity brokers vie for the opportunity to provide green product options directly to customers through the Company. In the response, please refer to customer surveys, evaluation of other utility offerings, and other relevant research material the Company utilized when developing NSTAR Green. Provide complete and detailed documentation to support your response.

Response

As an initial matter, it is important to stress that any licensed retail marketer of traditional or "green" power is able to market and to provide those generation services to any customer on the Company's distribution system. The Company provides Standard Offer and Default Service only to customers who have not chosen to purchase generation service from a competitive retail marketer. The Company is proposing to offer its residential and small commercial and industrial customers ("Eligible Customers") a single product, i.e., the option to purchase an incremental 25 percent of such customer's total kilowatthour ("kWh") usage from new renewable power sources, as evidenced by Renewable Energy Certificates ("RECs") solely because the competitive retail market is not providing such offerings to its distribution customers. In doing so, NSTAR Electric does not intend to preclude any competitive retail supplier, municipal aggregator or other entity from offering the same, or additional, retail renewable options to Eligible Customers. Moreover, the Company will not make money by offering the option. The NSTAR Green program is merely a recognition by the Company that no renewable offerings appear to be available to Eligible Customers, even though the Company's customer focus groups have clearly indicated that a demand for such offerings exists. Accordingly, the Company is voluntarily offering NSTAR Green to meet the wishes of its customers and, in doing so, increase the demand for renewable energy sources, a clear goal of the Electric Restructuring Act of 1997.

In response to the Department's question regarding "why the Company did not establish a model for NSTAR Green whereby competitive suppliers and electricity brokers vie for the opportunity to provide green product options directly to customers through the Company," the Company structured the NSTAR

Green program in response to its customers' preferences, as determined through focus groups. As discussed in response to Information Request DTE 1-5, offering a simple program introduces choice and educates consumers about green options, while allowing room for competitive suppliers to provide additional options, whether similar to NSTAR Green or not. Given the lack of maturity in the market, the Department should consider having multiple options as a market test.

In its research, the Company determined that suppliers that wish to sell only RECs to customers are able to do so without Company assistance and many such products already exist. However, in interviews with suppliers, the suppliers have stressed that it is a difficult product to explain to customers and they have not been successful in the retail market. Other than the Niagara Mohawk program and the Massachusetts Electric Company "Green Up" program, the Company's research did not uncover any other utility-sponsored REC programs.

However, the Company conducted extensive research on green programs of other utilities that are not REC-based. Chartwell, a utility publishing company, provided a comprehensive research study on green programs offered in the United States (see Attachment DTE-1-7(a)). This research also evaluated these programs against their success rate based on customer participation. The Company learned that the "best in class" programs achieve a 5 to 7 percent customer participation rate. However, on average, across the nation only 1 percent of customers subscribe to green programs. Chartwell completed case studies on "best in class" programs. The Company closely evaluated these case studies to identify the implementation, communication and process application aspects that made these programs successful with achievement of 3 to 5 percent participation.

Some common themes from these case studies, and discussions with industry experts, is that the program must be easy to understand, have a price point of about 10 to 15% above the non green products and be well communicated. The Company augmented this research with participation in an Edison Electric Institute teleconference, and internal customer research. The Company's surveys and research have resulted in similar conclusions to those offered by Chartwell (see Attachment DTE-1-5).

Accordingly, based on this research, the Company determined that the Program should be designed in a manner that was attractive in terms of price, and simple to participate in. As detailed in response to Information Request DTE-1-5,

residential customers, in particular, are unfamiliar with deregulation. The Company determined that, by offering a simplified approach, Eligible Customers will be more comfortable choosing a generation option and, thus, facilitate future choices when the competitive market develops for them.

Therefore, rather than “establishing a model” that “looks” like a competitive retail market, but, in fact, is not, the Company believes that the NSTAR Green program will help facilitate the development of a true competitive market similar to that envisioned by the Department in its question. To help alleviate any concern that the Company’s offering undermines the development of the competitive market, the Company is willing to include the names and numbers of Massachusetts-licensed retail competitive suppliers or municipal aggregators that have a retail green product via a web link from the Company’s NSTAR Green web page. Moreover, to the extent that municipal aggregators, like the Cape Light Compact, develop their own green offerings, the Company is willing to withhold any direct marketing efforts of NSTAR Green to customers served by a municipal aggregator. Accordingly, the NSTAR Green program does not attempt to monopolize the offering of a market product. Rather, it is providing real choice to customers who otherwise are not being served by the competitive retail market.